

# The ATLANTA ECONOMIC REVIEW

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BUREAU OF BUSINESS AND ECONOMIC RESEARCH

# THE ATLANTA ECONOMIC REVIEW

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## *This Month's Authors*

JAMES E. CHAPMAN  
WILLIAM H. WELLS

The geographical distribution of industry is a matter of growing importance to citizens of various areas and to economists concerned with the nation's welfare. The current article on factors which bear on an industry's decision on a new location is based on a survey of companies which initially located or expanded significantly in the Atlanta area during the period 1946-1955.

Dr. Chapman is Professor of Management and Chairman of the Department of Management in the School of Business Administration, Georgia State College of Business Administration.

Mr. Wells is Editor and Statistician of the Bureau of Business and Economic Research, School of Business Administration of Georgia State College of Business Administration.

JOHN L. FULMER

This, the second, part of Dr. Fulmer's three-part article entitled "The Challenge of Economic Development in Georgia" is concerned with rural counties in the state and the impact of population loss on their economies. The author points out both the good and ill effects and suggests the establishment of additional outlying employment points throughout the state and the enlargement of existing centers of employment.

Dr. Fulmer, Professor of Industrial Management, Georgia Institute of Technology, will present "Atlanta's Leadership," the last section of his three-part series, in next month's *Atlanta Economic Review*.

RODERICK F. O'CONNOR  
LESTER F. ZERFOSS

In their discussion of "Growth Delegation," Doctors O'Connor and Zerfoss point out the great need for management, in the delegation of responsibility, to recognize and promote opportunities for the growth of subordinates, using the work situation to attain growth of people. At the same time, then, management is freed for planning, organizing, and thinking—the "truly managerial functions." This is growth delegation, a "means by which both the subordinate and his boss grow."

Dr. Zerfoss, presently on the president's staff at American Enka Corporation, is staff advisor for executive development, training, and industrial relations. He has had long experience in training and management development in industry.

Dr. O'Connor, with early experience in accounting, sales, and management in industry, for the past six years has been in the field of psychological counseling to executives in industry. At present he is a Psychological Counselor to Management, Atlanta, Ga.

WARREN A. WALKER

Georgia's poultry industry is the subject of "The Southeastern Corner" this month. To some extent this industry has taken the place of the traditional cash farm crops of many counties in North Georgia, particularly, and the growth of this activity has been phenomenal. Mr. Walker points out that Georgia is the nation's leader in both output of birds and income from poultry activities.

*Proximity to market area  
Transportation adequacy  
Labor conditions*

*These were found to be of major importance to industry in locating new plants or expanding existing facilities in the Atlanta area.*

## *Factors In Industrial Location In Atlanta, 1946-1955*

by  
James E. Chapman  
and  
William H. Wells

### INTRODUCTION

There is much interest in the United States today in promoting local and regional industrial growth. This interest is readily apparent in the activities of both public and private agencies which have devoted much time, effort, and money to attract new industry to their areas. Newspapers and many magazines frequently carry attractive advertisements extolling the advantages new industry will find in this or that city, state, or area. Special inducements are offered and local situations favorable to industrial activity are given wide publicity. Such interest in obtaining new industry is not new, but since World War II activity in this field has increased markedly.

For many years agencies and individuals representing both public and private interests have been actively seeking new industries for the Atlanta area. Individuals and delegations have visited prospective companies which have announced plans for new branches, and much effort has been expended in other ways in attempts, first, to create a favorable industrial climate in and around Atlanta and then to attract and hold new industrial activity. Apparently these efforts have been marked by much success because some fundamental factors were in the city's favor. One such factor is well recognized, namely, that metropolitan Atlanta is a large market in itself, having an estimated population in 1958 of

924,000. Proximity to market has drawn numerous firms to Atlanta.

Secondly, it is well-known that Atlanta is a prime transportation center. Adequacy of transportation facilities is another feature frequently cited as attractive to new industry. Transportation not only gave birth to Atlanta but has nourished the city ever since. In 1836, when Hardy Ivy built his cabin in the woods some six miles from the already thriving and promising city of Decatur, Indians still roamed the countryside. In 1837 the wooded area in which his log cabin stood was selected as the terminus of the Western and Atlantic Railroad ("The State Line"), and with this act the city of Atlanta was born.

By 1844, the young town, at that time called Marthasville, could boast of two stores, the railroad office, and a sawmill. The latter was perhaps Atlanta's first manufacturing concern; and its reason for setting up operations in Atlanta was to supply the railroad with the crossties so urgently needed to complete the laying of track and for maintenance. The early entrepreneur was Jonathan Norcross, who also ran one of the general stores. It is extremely doubtful that Mr. Norcross gave anything more than a cursory thought to the locational factors which hold the attention of present-day entrepreneurs as they consider going into business in the Atlanta area, but these factors were at work even then, determining the success or failure of the Norcross enterprise.

## Effects of Industrial Location Upon a Community

In times past, the economist seems to have been about the only one interested in where a given industry located and why it located there instead of some other place.<sup>1</sup> Today, however, the problem is becoming increasingly important to the citizens of each municipality, county, state, and general region. It has become apparent that the distribution of industry among geographic areas is a problem of equal importance with that of the distribution of income among the peoples who inhabit these areas, for the latter is largely determined by the former.

The truth of this statement becomes apparent when one examines the effects of a new industry upon a given community. For example, the Missouri Division of Resources and Development<sup>2</sup> estimates that a new plant which employs 150 male workers in basic employment leads to:

1. Plant investment of \$390,000
2. An annual payroll of \$539,400
3. The creation of secondary jobs which will support 1,200 people
4. The sale and service of 431 automobiles
5. The need for nine new schoolrooms
6. The need for 22 more retail establishments
7. Property subject to taxation with an assessed value of \$1,972,686
8. The need for the services of 48 professional men
9. Rail freight revenues of \$110,000 annually, plus other transportation revenue
10. Food sales of \$469,637 annually.

It is not intended that one infer that the addition of a new establishment is an unmixed blessing to a community, for such is not the case. The figures cited above indicate some of the community problems created, such as the need for more schools, homes, water, police and fire protection, public transportation, and financial activity, to name only a few. The advantages seem to far outweigh the disadvantages, however, and most communities today are spending funds to advertise the alleged advantages of the community as a site in which to do business. Furthermore, many of them are doing so with only the most elementary (if any) understanding as to where a new enterprise, branch plant, warehouse, or office should be located.

### Purpose of Study

The objectives of this study were to determine the relative importance of the generally accepted

factors of location in the decisions of selected companies which initially located, or significantly expanded, in the Atlanta area in the period 1946-1955, inclusive, and at the same time it would be determined if these companies were happy in their decision to locate where they did and if not why not.

Subsidiary to this major objective, the study would attempt (a) to compare costs of similar operations at other locations; (b) to ascertain what, if any, additional types of economic activity the selected firms would like to see located nearby; and (c) to determine what, if any, "special inducements" were offered to the industries to persuade them to locate in the Atlanta area, and by whom these were offered.

### METHODOLOGY OF THE SURVEY

It would seem logical to attempt to find out why businesses were located in a given area or community by asking persons who know—namely, the executives of establishments which have located or expanded operations in the given locality. For this reason, it was determined that a survey would be made of the opinions of present executives of firms which located in or materially expanded their scope of activity in the Atlanta area.<sup>3</sup> A questionnaire was devised that would elicit the desired information, and it was decided to use the personal "guided" interview in preference to the mailed questionnaire.

### Criteria for Selection of Survey Firms

Having determined to use the personal interview, buttressed by the printed questionnaire, the problem presented itself of determining which companies would be included in the survey.

The final choice of 76 firms does not in any wise represent a random sample. Criteria for inclusion in the sample group were: the hiring of 50 or more employees, and/or a capital investment of \$125,000 or more, and/or occupancy of a building containing 100,000 square feet of floor space or more.<sup>4</sup>

Although every effort was made to complete a questionnaire for each of the 76 firms, for one reason or another 27 of the firms in the survey did not complete theirs. Of the 49 forms which were

1. One of the most widely known theories of location is that of Johann Heinrich von Thunen. His theory, as expressed in *Der Isolirte Staat*, is cogently synthesized by R. T. Ely and George S. Wehrwein in *Land Economics* (New York: Macmillan, 1940), pp. 68-70.

2. Missouri Division of Resources and Development, *Steps in Community Development* (revised 1954), State of Missouri, Jefferson City, Missouri, 1955, pp. 1-3. These figures are based on basic employment, i.e., employment that derives its support from producing for or serving markets and clients outside the urban area.

3. A decision to expand current operations in a given community is tantamount to making a new location decision. It is apparent that this additional capacity could be located in any other community or area that seemed to be more advantageous than the given community or area.

4. In the case of firms which were previously established in the area, these criteria were applied as meaning additional employees, capital investment, and floor space. The data to determine which firms met the criteria were obtained from two sources: (1) The Georgia Power Company pamphlet, *Summary of New Industries*, gives data on number of employees, date of occupancy, and approximate capital investment; and (2) the Industrial Bureau of the Atlanta Chamber of Commerce publishes an annual bulletin entitled *New Industries and Out-of-town Businesses Established in Atlanta, Georgia, Year of —*. This publication furnished data on square footage of floor space.

completed (representing approximately 65 per cent of the total firms included in the survey), over half (26) were completed from an interview with one of the executive personnel of the given firm. The remainder could not be completed in a manner satisfactory to the executive during an interview so were returned by mail.

### Characteristics of the Firms Surveyed

The product or products manufactured, assembled, processed, or stocked by the surveyed firms ran the alphabetical gamut from "abrasives" to "wire and iron products." There were 59 different classifications represented.<sup>5</sup> The greatest number of firms in any one classification was in "apparel," which had eight firms; the second greatest number was in "paint," which had four firms. Other classifications with more than one firm were "corrugated container," 2; "furniture," 2; "retail grocers," 2; and "paper bags," 2.

Only two of the 49 firms indicated that the opening of the Atlanta facility represented the formation of a new business enterprise; one of these is a furniture manufacturer, the other manufactures children's apparel. Of the 76 firms, 59 were located in Fulton County; 15 in DeKalb County; and one, the largest, in Cobb County. Although they represented the largest firms to locate or to expand significantly in the Atlanta area since World War II, nevertheless the firms included in this study were relatively small. As can be seen from the data of Table I, 57.1 per cent of the firms surveyed employed less than 100 employees, and 81.6 per cent (40 in number) employed less than 500 persons. Only one firm employed more than 5,000 persons; however, this one firm was by far the largest manufacturer in the Atlanta area, employing in excess

of 19,000 persons at the time of this survey and having expansion under way that would create many new jobs.

## THE SURVEY RESULTS

### Locational Factors

At the inception of the idea for this survey, the main purpose was to discover why selected industrialists had chosen metropolitan Atlanta as an operational site in post-World War II years. Much other information of a related but tangent nature was brought to light in the research effort; nonetheless, all such data presented are incidental to and secondary to the answer to the question, "What factors influenced your company to locate in Atlanta? Please list in order of importance." The answers received were finally grouped into 24 factors, which were then totaled to indicate which locational factors were the most important for the 49 companies represented in the survey.

#### Factors of Advantage

##### a. By order of importance

There was a total of 165 responses<sup>6</sup> received to the question concerning the factors that influenced the decisions of the managements of the 49 survey firms to locate in or significantly expand their operations in the Atlanta metropolitan area in the ten years beginning January 1, 1946.

The five factors receiving the greatest number of responses were:

1. Proximity to market—50, or 30.3 per cent;
2. Transportation adequacy—35, or 21.2 per cent;
3. Labor considerations—23, or 13.9 per cent;
4. Personal reasons—11, or 6.7 per cent; and,
5. Previously established in Atlanta—7, or 4.2 per cent.

Not a single respondent attached any importance to "waste disposal," "special inducements," or "favorable labor legislation." Perhaps the adequate sewage disposal system of the Atlanta area is simply taken for granted, or it may be that the executive participating in this study did not represent industries to which waste disposal is a major problem. The importance of Georgia's "right-to-work" laws may have been overemphasized, for, though organized labor groups have severely criticized such laws, none of the survey firms attached locational importance to "favorable labor legislation."

##### b. By weighted value

The scheme used above of simply totaling all the responses received for each locational factor completely ignores the relative rank accorded to each such factor by the respondents; therefore, it was de-

TABLE I  
NUMBER OF PERSONS\* EMPLOYED BY THE 49  
FIRMS INCLUDED IN THE SURVEY

Number of Employees	Number of Firms	Per Cent of Total	Cumulative Percentage
0-49	18	36.7	36.7
50-99	10	20.4	57.1
100-199	5	10.2	67.3
200-499	7	14.3	81.6
500-999	4	8.2	89.8
1,000-2,499	3	6.1	95.9
2,500-4,999	1	2.0	97.9
5,000-9,999	0	0	97.9
10,000 or more	1	2.0	99.9**
Total	49	99.9**	

\*Includes all employees.

\*\*Does not total 100.0 because of rounding

5. These classifications were taken from the Summary of New Industries, published by the Georgia Power Company, and do not follow the classifications suggested by the Standard Industrial Classification Manual.

6. This is the total of the total number of times each factor was cited, with no regard for the relative rank of importance.

terminated to weight the responses in some manner that would give recognition to the degree of importance attached to them by the person who cooperated in this study. Accordingly, a weight of five was given to each response placed in the first rank of importance; a weight of four for second rank; a weight of three for third; a weight of two for fourth; and a weight of one for fifth rank.

The total weight value of all responses received is 589. Of these, "proximity to market" received 212, or 36.0 per cent; and "transportation adequacy" received 128 points, or 21.7 per cent. In fact, the rank determined for each of the first six most important locational factors is the same (though the percentages differ slightly) by the weighted and unweighted computations.

To re-emphasize the point, the results obtained by both the weighted and unweighted method of evaluation show the following locational factors to have the rank as indicated:

1. Market
2. Transportation
3. Labor
4. Personal reasons
5. Previously established in Atlanta
6. Proximity to materials.

Furthermore, of all responses obtained to the question on locational factors, the first three factors alone accounted for 68.9 per cent and 65.4 per cent by the weighted and unweighted evaluations respectively.

#### *Factors of Disadvantage*

If industrialization of an area is as desirable as the facts and figures frequently presented indicate it to be, it is as necessary (and probably easier) to retain existing establishments as it is to attract new businesses to the area. Accordingly, the 49 persons who supplied the data for this study were asked to name the single factor each felt to be the most disadvantageous to location in Atlanta for his firm. Fifteen of the 49 named some factor which they considered a disadvantage to operating in Atlanta.

These 15 replies were extremely varied, and many of the listed disadvantages would be of little importance to other industries. For instance, a manufacturer of floor wax considered it a disadvantage that, at the time of the survey, there were no container manufacturers in the area who could supply him with cans and bottles. Lack of water transportation was mentioned by one manufacturer and another lamented that his factory, which was originally on the outskirts of town, as he felt an operation of that type should be, now found itself practically in the middle of the city because of city growth. Others mentioned high taxes, traffic congestion, high freight and utility rates, distance to certain markets, and inadequate truck lines to certain sections of the country. Also mentioned was the

lack of a merchandise mart in the area. (This last disadvantage has since been overcome, as have certain others.)

#### **Satisfaction with Atlanta Location**

Thirty-five of the respondents in this study indicated that their managements were "completely satisfied" with metropolitan Atlanta as a location. Thirteen indicated they were "fairly satisfied," and one respondent (the owner of a furniture manufacturing firm who was previously cited as disapproving the instability of DeKalb County's tax structure) indicated that he was "fairly dissatisfied" (None of the respondents answered "barely satisfied" or "completely dissatisfied.")

Although fourteen respondents indicated less than complete satisfaction with Atlanta as a location, only two answered that they were considering relocating. One was the furniture manufacturer who was "fairly dissatisfied," and he said,

I have received a formal offer of help on plant and payroll in Mississippi, and have investigated several places in South Georgia where the situation is more favorable as regards taxes and rents. I prefer Georgia and will probably make a move, but I don't know just when or where.

#### *Other Establishments Desired*

Thirty-two of the executives expressed a desire that other firms locate plants or offices in Atlanta and specified thirty-three specific industries they would like. Twelve replied that they wanted to see more "general business" in Atlanta, four others wanted more "industry in general"; and two said they would like to see more "fabrication and manufacturing activity to make the area more diversified and less dependent on distributive activities."

The other fifteen replies were distributed one each to the following activities: heavy industry, plumbing supply companies, tin-can manufacturers, any users of steel, light manufacturing, contractors, residential construction, carton manufacturing, aircraft supporting industries, more distribution branches, competitors to draw apparel buyers to the area,<sup>7</sup> textile mills, metal working industries, steel tubing and steel products manufacturers, any type of clean operation, paper mills, and petrochemical plants.

#### **Costs in Atlanta vs. Costs Elsewhere**

Thirty-five of the respondents indicated that their firms maintained other establishments like

7. This response was given by the dissatisfied manufacturer of infants wear who is apparently most sincere in his desire to see something done to attract apparel buyers to Atlanta. It will be recalled that it was he who advocated a "merchandise mart" in Atlanta.

the one in Atlanta, the number of such establishments ranging from one to more than eight. These 35 respondents were asked, "How do costs in Atlanta compare with those of the *lower-cost* plant outside of Atlanta?" Nine of the respondents said they did not know,<sup>8</sup> and four did not answer. Of the remaining 22, the replies were distributed as follows:

1. More than 20 per cent lower—none
2. From 10-20 per cent lower—one
3. From 1-10 per cent lower—nine
4. The same—nine
5. From 1-10 per cent higher—two
6. From 10-20 per cent higher—one
7. More than 20 per cent higher—none.

It is well to keep in mind that this comparison is between costs at the Atlanta facility and the *lowest-cost* other such facility. It is also meaningful to note that the executive who indicated that his firm's operations in Atlanta were 10-20 per cent cheaper than similar operations at other establishments owned by his company is the manager of one of nine such plants which are located in all sections of the United States except the Pacific Northwest.

Those persons indicating the costs in Atlanta to be one to ten per cent cheaper than at any other location represent some of the very biggest companies which are included in the survey. For example, seven of the companies are national in scope of operations, and each maintains more than eight other establishments performing the same operations as are performed in the Atlanta branch; of the seven firms, two maintain similar plants in foreign countries.

There is nothing significant to be noted about the characteristics of the companies which indicated Atlanta costs to be "about the same" as costs at their lowest-cost such establishment located elsewhere. One of the firms which is said to have one to ten per cent greater costs in Atlanta than at its lowest-cost facility outside of Atlanta is a rebuilder of motor parts; the other is a manufacturer of storage batteries for automobiles. The firm which claims to experience costs 10 to 20 per cent higher in Atlanta has only one other facility (servicing and repairing road machinery) with which to compare; that plant is located in Georgia also, but in a city much smaller than Atlanta. The executive interviewed blamed the higher Atlanta costs on labor costs, saying:

Atlanta has the Federal and state governments, Lockheed, Army, Ford, General Motors and many others competing for skilled mechanics. This has resulted in a

8. Four of the nine respondents who professed ignorance of comparative costs said that their top managements had told them nothing of a specific nature as to comparative costs, but had been highly commendatory with regard to costs incurred at the Atlanta facility.

poorly qualified worker who takes no pride in his workmanship.

### Availability of Labor

It has frequently been said that skilled laborers and capable managers are not available in the South.<sup>9</sup> The labor experiences of 25 of the 49 survey firms would indicate this to be true.

Of the 25 respondents who indicated their belief that a shortage of labor exists in Atlanta, 19 said this shortage was due to a lack of properly trained applicants. One other said it was due to a combination of a lack of applicants and a lack of properly trained applicants; two failed to answer the question at all.

### Use of Location Consultants and Agencies

Since much money and effort are spent by public and private agencies (such as chambers of commerce and railroad industrial boards) in an effort to popularize Atlanta as a place for businesses to locate, and since the services of the agencies are free to the prospective firm, it was thought that most firms would avail themselves of the help of one or more of these agencies before choosing a new site. The evidence does not support this belief as regards the 49 firms surveyed, since only 13 indicated any use of the services of various public agencies or boards concerned with industrial development. These firms, however, considered the service rendered a valuable aid in site selection.

There are quite a number of consultants and consulting firms in the United States that undertake the task of determining for their clients the most favorable site upon which to erect a new establishment.<sup>10</sup> Since some of the largest companies in the world are represented in the 49 firms surveyed for this study, it was surprising that not one of them had engaged the services of such a consultant (or consulting firm) to help in the selection of the Atlanta site.

### Special Inducements

A study of the literature which discusses the alleged "special inducements" proffered to prospective industrialists to persuade them to locate in the

9. Frank J. Soday, "The South in 1975," a paper presented to the 1954 Southern Governors' Conference, Boca Raton, Florida, November 13, 1954, as reported in *Southern Chemical Industry*, January-February, 1955. In this report, Soday warned:

Certainly the South cannot expect to continue to attract highly technical industries unless it can furnish adequately trained scientists, engineers, and technicians to staff them. In face of a growing need for such personnel, the number of graduates in these fields is steadily declining.

10. A partial list of such persons and firms may be had by writing to: United States Chamber of Commerce, 1615 H. Street, N. W., Washington 6, D. C.

South led the author to conclude that these inducements generally take the form of free sites; remission of certain local, and even state, taxes; free rent; and perhaps a local stock subscription.<sup>11</sup>

It is said that industries to which these "special inducements" are extended must usually agree to: (1) hire a given number of employees; (2) maintain a stipulated annual payroll; and (3) maintain operations for a given period of time.<sup>12</sup>

The management of each firm in this survey was questioned to determine just what "special inducements," if any, were offered to industrialists who located in the Atlanta area in the 1946-1955 period, and what, if anything, they had to guarantee in return. Not a single one of the 49 firms included in this study had received any type of "special inducement"—no free site, no remission of taxes, no free rent, no local stock subscription or any other type of "special" concession.<sup>13</sup>

### SUMMARY

**Locational factors.** Business firms having begun operations in recent years in Atlanta were surveyed to ascertain which factors they considered most important when deciding upon locating in this city. The factors, in order of their importance, as revealed by the survey were:

1. Proximity to market area
2. Transportation adequacy
3. Labor considerations
4. Personal reasons (such as being the home of the owner, etc.)
5. Previously established in Atlanta
6. Proximity to materials
7. Favorable community attitude
8. Central location as regards auxiliary industries and services
9. Living conditions in community
10. Availability of suitable buildings.

11. For a brief development of this problem see, for example:  
a. Albert Lepawsky, *State Planning and Economic Development in the South*, National Planning Association, Committee of the South (Report No. 4).

b. Glenn E. McLaughlin and Stefan H. Robock, *Why Industry Moves South*, National Planning Association, Committee of the South (Report No. 3), Washington, D. C., 1949. See especially pp. 122-124.

c. Ernest J. Hopkins, *Mississippi's BAWI Plan, An Experiment in Industrial Subsidization*, Federal Reserve Bank of Atlanta, Atlanta, 1944. (This BAWI—Balance Agriculture with Industry—Plan is probably the most discussed attraction to industry in the South today.)

12. Metropolitan Life Insurance Company, *Policyholders Service Bureau, Industrial Development for a Community*, Metropolitan Life Insurance Company, New York, (revised) 1952, pp. 27-34.

13. Frank K. Shaw, Manager of the Industrial Bureau of the Atlanta Chamber of Commerce, said to the author in a conversation on December 30, 1955: "Some time ago various business interests in Atlanta learned that a large tire manufacturer was considering a southeastern location. These citizens felt it highly desirable for a firm of such size to locate here. Accordingly, they subscribed funds to purchase a site and offered it to this manufacturer free. The tire company declined, however, and later located in Gadsden, Alabama. This is the only 'special inducement' that has been offered to any firm in the Atlanta area so far as I know."

Of this list, the first three factors were of overwhelming significance, representing 69 per cent (on a weighted basis) of all the responses. "Proximity to market" was especially important.<sup>14</sup>

**Additional business desired.** Two-thirds of the firms surveyed would like to see additional industrial activity developed in the Atlanta area. In some instances they seemed to desire more firms as *customers* and in other cases as *suppliers*. No particular kind of industry was repeatedly mentioned which they would like to see in this city. Sixteen firms wanted more "business in general," and sixteen others indicated desires for particular types of firms.

**Special inducements.** None of the 49 firms participating in this survey received any form of "special inducement" to locate or expand operations in Atlanta.

**Satisfaction with Atlanta location.** Managers of thirty-five of the firms surveyed indicated that they were "completely satisfied" with their Atlanta area locations; thirteen said they were "fairly satisfied"; one indicated that he was "fairly dissatisfied." Managers of two firms said they were considering relocating elsewhere.

When firms were queried about disadvantageous aspects of an Atlanta location, about a dozen widely varied factors were listed; no single factor was mentioned frequently. Several said that tax rates concerned them, however. A couple of the factors (e.g., "downtown traffic congestion" and "lack of merchandise mart") are being corrected currently.

**Costs in Atlanta compared.** Of the firms surveyed, 35 had plants elsewhere which performed the same operations as those in Atlanta. Of this group, twenty-two possessed comparative cost data for operations elsewhere; as compared with their *lowest-cost* plants elsewhere, they said costs in Atlanta were:

From 1 to 20 per cent lower	10 cases
About the same	9 cases
From 1 to 20 per cent higher	3 cases

**Firms "wooded away" from North?** No evidence was found that firms had been "wooded away" from the North by some sort of enticement or "unethical" offers. Indeed, only very rarely did a location of a firm in Atlanta result in a curtailment of employment at plants elsewhere.

14. This result closely parallels the opinion advanced by Frank J. Soday in his report to the Southern Governors in 1954. Dr. Soday said:

The experience of the SASI (Southern Association of Science and Industry) in handling many hundreds of requests from industrialists each year clearly indicates that markets are the determining factor in the largest number of industrial plant location surveys in the South. The increased purchasing power of the region has attracted more new plants and industrial facilities than any other single factor.

Frank J. Soday, "The South in 1975," op. cit., p. 6. (Boldface supplied by author.)

# GROWTH DELEGATION

## *The use of the work situation to attain the growth of people*

by

Roderick F. O'Connor

and

Lester F. Zerfoss

The concept of the manager includes three inescapable conditions: (1) the manager must take the responsibility for getting a job done, (2) he must get this job done through people, and (3) he must insure that the people doing the job **grow** in the doing of it. While most managers work comfortably with the first two conditions of their job, they have not yet discovered the tremendous opportunities for increased effectiveness inherent in the third.

If this concept of the manager's job is sound, one conclusion is obvious: the main opportunity for the development of subordinates lies in the work situation—in the working relationships between a man and his boss. The manager who would meet all of the conditions of his job must necessarily take another look at delegation, for delegation may well be his most important tool for the development of his people.

Traditionally, the manager treats the theory of delegation with a great deal of respect. It is perhaps thought of as the most important tool he has at his disposal to get the work done. Also, in a vague, somewhat mysterious way, delegation is given a strong credit line in the development of people. However, it has been the experience of the authors that when managers leave the conference table where they talk about delegation and get back on the job where delegation is actually going to be put into practice, the concern for the growth of people fades out and delegation becomes merely a rough-and-tumble way of getting the work done. Few managers have taken the really important step—that of specifically—on purpose—using delegation to de-

velop people. And yet so important is this step that all of the training courses in the world may fail to achieve growth in a person unless his boss unconsciously or consciously insures a growth situation through good delegation. Delegation properly understood and used is the chief resource an organization has to develop its people.

The superior who uses delegation solely to get the work done probably is not getting the work done well. Nor will he be preparing himself for larger functions. He will find himself staying in the same old rut year after year. By his failure to develop his subordinates he may make himself an indispensable man in his own organization and thus block his future advancement. Growth delegation is the answer to this type of problem.

### **What is Growth Delegation?**

By growth delegation we mean the use of the work situation, in the superior-subordinate setting, as a means by which both the subordinate and his boss grow. This definition is reversing the usual concept. *We do not mean the use of people to get the work done; we do mean the use of work to attain growth of people.*

How often does the harassed manager wish that he could spend more of his time planning, organizing, and doing the basic thinking needed to give depth and long-range effectiveness to his function. Freeing himself for these truly managerial functions is usually dependent on his ability to find some way to upgrade the abilities of the people under him.

The typical executive who finds himself in this type of problem situation is apt to place the blame on his subordinates. It is so much easier to do the work himself than to put up with their slowness and mistakes. He feels sure that his people are not yet experienced enough to take on additional assignments. Besides, they are already so busy that it would not be right or fair to give them additional burdens. Of course, (he says to himself) this is only going to be a temporary state of affairs which he will correct as soon as he gets time—after this emergency is over and he gets his head above water again.

Yes, as you may have guessed, that time will never come. His reasons are really excuses. He never realizes that these are the same things he was saying last year — and five years ago, and that the "emergency" period which keeps him so busy will never end. Obviously there must be deeper reasons behind his excuses.

### **What Are The Real Barriers To Growth Delegation?**

The greatest barriers to delegation more than likely are to be found in the attitudes of the boss himself. He is his own worst enemy. He is too emotionally involved in the effects of his problem to be able to come to grips with it. No improvement can take place until he is willing to take a look at himself.

Basic attitudes hold the key to the practice of growth delegation. We have seen many individuals with little training in methods and techniques who delegated in such a way that their people developed. We have known many supervisors who could fluently recite theory, yet whose subordinates experienced little growth. The difference in attitudes made the difference in the results.

Attitudes are rooted in an emotional state. They consist of opinions, strong feelings, convictions, or beliefs. An attitude is not just the way we *think* about a situation; it is the way we *feel* about a situation. A man's attitudes toward his subordinates, his associates, his superiors, and his job are basically emotional and can never be completely objective or intellectual.

The deep-seatedness of these feelings is the reason attitudes are so difficult to change. Attitudes are not changed by logic, advice, presentation of facts, or information — they are changed only by experiences which touch us deeply, even painfully. **Attitude change occurs only in association with an emotional experience.**

We are constantly changing in our attitudes. Take an example of a case in point.

John Jones is a Department Head in Company X. He is basically a kindly man, but a person to whom status and control over people are very important. He thinks of his group as "just one big happy fam-

ily." If you were to listen to him, he would tell you how frequently his people come to him for advice and guidance, how he has brought various subordinates along ("Smith wasn't much until I got hold of him") and how his men have frequently told him how much he's done for them. In his own concept of himself, he sees himself as a kindly person who is a builder of men. He thinks of himself as a protecting father. Though he wouldn't admit it, he sees his people as being below him. They are weak, less intelligent, less capable. They need him to protect them from their mistakes and weaknesses. Sometimes he must be stern with them for their own good. What he has never found out is that he is known throughout the plant and within his own group as "god-almighty Jones."

Then, one day in the locker room Jones overhears a conversation between two of his men.

"Well, the boss sure came in in a bad humor this morning."

"Yeah, I've spent most of the day trying to keep out of 'god-almighty's' way."

"I've been trying to figure out a way to plant an idea in his head. There's a change we really ought to make in our section, but unless he can convince us he thought of it first, he'll never okay it."

"That's for sure."

Hearing this criticism of himself is an emotional experience that shocks Jones deeply.

The chance overhearing of this conversation between his men could be, if he were willing to take advantage of it, an extremely fortunate experience — it is a real opportunity to gain the insight which leads to growth. If he really listens, he can begin to understand that his men do not feel about him as he imagined they did. He may even realize that if his men feel like that about him, there must be something wrong in his own attitudes toward them. From such a shock can come the basic insight into his own attitudes and behavior which can be the beginning of change.

At this point Jones has two choices. He may protect himself from the need to grow by rationalizing and deciding the men are unfair to him. Or he can respond to the criticism and make it the beginning of a new relationship. (He is most likely to do something with this insight if he talks it over with an understanding friend and commits himself in some way to constructive action while the incident is fresh in his mind.) The second choice is a hard but necessary one. Without painful self-doubt and self-searching he will not be able to gain new insights and begin seeing himself as others see him.

It has been said many times that we grow chiefly through pain. In this case, the core of Jones' self-concept must undergo a change before his behavior can be expected to change. His concept of himself as an all-knowing, fatherly dispenser of privileges and favors to the weaker people under him must give way to one in which he feels more on an equal

basis with his subordinates, is less certain of the omnipotence of his own ideas, and is less certain of the respect and affection of his people. If he can look at himself critically, a real change will take place in his behavior. He will become more alert to and more concerned with the cues and mannerisms which indicate the attitudes and feelings of those about him. He will listen more closely to ideas from others. He may ultimately gain confidence in the abilities of his subordinates and be willing to give them more responsibility and authority. Because most people, like Jones, have the potential for genuine concern for and respect for other people, such insights enable them to build on that latent capacity.

Our deepest motives are those which are rooted in our emotions. This is why a person frequently will follow a course of action which apparently is illogical. By the rules of logic, a manager should delegate in such a manner that his subordinates assume more and more responsibilities; but this is not commonly so. Logically, we should be able to study the techniques of good supervision and apply them effectively, but we all know it is not so simple. The answer is that, unless there has been a corresponding growth in our emotional attitudes, the intellectual learning of techniques has little real effect on the results of our delegation.

Unfortunately the emotional factors that block good delegation are typically outside our awareness. Since we are frequently unaware of our basic attitudes, a major task in learning growth delegation is to identify our real motives behind delegation and to recognize their consequences, both in terms of our behavior and in terms of their effect on our subordinates' growth.

Let us take a look at some of the emotional factors which are barriers to growth delegation:

1. *The need to be needed.* The desire to help others is universal but, like all good attributes, this virtue can easily be abused. The pleasure derived from solving people's problems for them, from being asked for advice, has been experienced by all of us. Unfortunately, in our relations with our subordinates, as with our children, a common tendency is to encourage dependency. It takes a mature person to recognize that the tendency to do for others those things they could learn to do for themselves is an attempt to help ourselves at the expense of others.

2. *The fear of losing control.* As long as a supervisor stays close to an operation, knows all the details, exercises his know-how, and makes the more important decisions, he frequently feels that he has control of the situation.

Such long-range considerations as the fact that his men are not learning and that he is not preparing himself for a bigger job take a back seat to the immediate problem, which is to make sure

that everything goes exactly as he feels it should go if he is to be secure in his job. Until he learns to exercise the proper kind of control—of results rather than of methods—he is likely to retain his old habits of too-close supervision.

3. *The reward a manager gets from doing the work himself.* Oftentimes a definite sacrifice of job satisfaction is entailed when a person becomes a manager. His new position forces him to give up the satisfaction which comes from concrete achievements brought about by his own efforts. He has to watch the achievements of other people who now do the work he used to do. (The football coach who once got a real kick out of playing the game has a similar problem when he has to learn to sit on the bench and watch his men make the touchdowns he used to make.)

As a man makes this transition from labor to management, for a while he loses much of the joy, the real satisfaction, and mental stimulation that he had always gotten from his old job. Until he learns to gain just as much satisfaction from seeing those under him work and increase their abilities, he is likely to cling to his old habits.

4. *The security of dealing with tangible situations.* One aspect of emotional maturity is the ability to deal confidently with problems in which there are no definite answers, but only approximations. A feeling of security comes from dealing with numbers as in formulae, statistics, production figures, and accounting data. There is little need to take chances. The possibility of mistakes is relatively small. As we go up in management, however, our decisions and actions must be based more and more on factors which are not readily apparent. Problems involve contingencies, ambiguous factors, and human intangibles such as feelings and attitudes.

Daily situations involving a multitude of factors in which several answers are apparent—none of which is obviously the best—must nevertheless be faced, decisions made, and action taken. Such situations are the stuff of which the manager's task is made, and to learn to abide (and eventually conquer) the anxieties, insecurities, and dread of mistakes inherent in such activity is one of the critical stages in the development of a manager.

The manager with this choice to make is somewhat in the position of a shipwrecked sailor clinging to an overturned lifeboat in an open sea. He sees a distant island and he must choose between the temporary security of the overturned boat or the calculated risk of going down if he swims toward the island.

5. *The fear of competition from subordinates.* Frequently as a man reaches middle age and he begins to lower his level of aspiration, he is likely, in his own eyes, to begin to suffer by comparison with his subordinates. His longer experience tends to diminish in value, and the fresher technical knowledge, vitality,

and eagerness of the younger men take on threatening aspects. What risks does he take if he does turn over some of his duties to them? Will they do these duties better and in less time? So, rather than take the risk, he rationalizes his lack of delegation, magnifies in his thinking the mistakes of his subordinates and their lack of experience.

### What Conditions Stimulate Growth Delegations?

The basic attitudes as well as the skills of delegation can be acquired through insight and constructive practice under conditions which can be created on the job. What are some of the things you can do to create these conditions?

One of the conditions has its basis in confidence. Take a fresh new look at the potential of the people who report to you. Remember that the performance you have observed in the past is a variable. It could be worse; it could be better. It is not a constant; it is not a ceiling. No one ever learns to work at the full measure of his potential. There must be recognition by a man's superior that whatever a man's present level of accomplishments, he has much more to give—and will give more—as conditions favorable to better delegation are built into his work climate.

A big factor in growth delegation is the faith and expectancy that this improvement is a real, realizable increment. It means the attention of the supervisor must be directed at **what else a man can do** rather than limited to a critical appraisal of what he has not yet done. The superior who thinks of his men in terms of the things they cannot do will find ample proof of his lack of faith. He will inevitably get the kind of production he looks for and expects.

The supervisor's belief in the man's capacity to grow on the job will constructively affect the way in which the subordinate responds to that trust. Such response is shown by the subordinate's ability to capitalize on his mistakes and to use them to improve himself, by his desire to share his knowledge with his fellow employees, and by his willingness to set for himself and accept from his superior increasingly higher standards in an effort to merit a respected and needed place on the team.

A second condition is the nature of leadership provided in delegation. In improving delegation, it is important for the superior to adjust his pattern of supervision to the right level. **Too-close** supervision generates a stifling work climate. There is too much attention to details, too much emphasis on fault-finding, too much time spent in direct observation and inspection, too much emphasis on the remedial and corrective rather than on the planning and preventive aspects of the work. All this adds up to a smothering effect on the subordinates' attitudes toward growth.

On the other hand, a **let-alone** type of supervision may freeze a man into mediocre standards. The as-

sumption by a supervisor that "no news is good news" about a subordinate's work is never a reasonable or even safe assumption. No man has a job of such little importance that his boss can forget it unless something goes wrong. The surest way to make a man little is to give him little things to do. If his work is to provide the growth factors that he needs, it must be important enough to his superior to merit a stimulating assignment, guidance, evaluation, accountability, and recognition.

Somewhere between the extremes of too-close supervision and let-alone supervision is the type of leadership that is growth-oriented and enriching to the man-boss relationships in each individual situation.

A third condition deals with the **appropriateness** of good delegation. The job to be delegated must be suitable for the person who has been chosen to do it. It must be tough enough to challenge him, but not too tough for him to do with some learning. In the doing of it he must experience the feeling of stretch, improvement, and growth. And he must obtain the satisfaction of a job well done—recognized and properly evaluated by his supervisor.

Upward communication is a fourth condition. Not only is it important that growth delegation result in accomplishment that is recognized, it is also important that the recognition be communicated personally by the superior to the next level above him. If a boss does not pass on to his superiors his knowledge of the man's accomplishments, the man will soon realize that his efforts are not likely to pay off in terms of promotion.

Another condition oftentimes overlooked in a good delegation situation is the sense of "commitment" which the subordinate needs in order to do his best work. The man receiving an assignment from his boss must clearly understand the nature of the responsibility it entails, its priority in relation to other assignments, its importance and contribution to the production goal. There must be, in a very personal way, mutual agreement between the man and his boss as to how far he can go on his own, where he is free to make decisions and take action, at what points he must clear with the boss and get approval before going ahead, and, most importantly, the resources that will be available to him to get the job done and the conditions under which he can use these resources.

That the delegated task must be stimulating and challenging to the subordinate is another condition. We might also point out that a delegated responsibility must be thought of as acceptable and worth doing. Too frequently delegation is used as a means of getting rid of dull and irritating routine. In a sense it's like a game of catch—the supervisor can throw the ball, but it is only when the subordinate **catches** it and does something with it that the play moves forward. If the additional responsibility is forced on the man unwillingly, the

odds are great that the final results will be less than good. If the assignment lacks opportunities for learning, it tends to be routine. If the subordinate is subjected too often to easy, routine, familiar duties that do not require much of him, he begins to stagnate, get bored, and get into a rut which essentially anesthetizes him against further growth.

The standards of accomplishment must be such that they stretch a man's present level of capacity. He must be made to feel accountable for maintaining and improving these standards. For his own job satisfaction and sense of well-being, anything less than his best is not good enough. We can be sure that unless he has been mismanaged, the strong desire to grow is a part of his basic motivation pattern. Until, through neglect, he is conditioned to mediocrity, he gets real pleasure from bringing for his boss' approval work which exceeds reasonable expectations. It is only as he feels his competence, knows that the quality of his work is high and that he is meeting (with a margin to spare) the demands of the organization that he will come to look upon high standards as his means of obtaining both the recognition and the security he needs; for the only real security lies in personal competence.

The reward for accomplishment is another basic condition. When through effective delegation the supervisor helps the man attain this level of job satisfaction and productivity, he has a very great responsibility to be sure that the rewards for good service are adequate and well-timed. There is nothing which so quickly sours a man on his job, his boss, and his company, as the feeling of having been exploited or "used." Nothing short of a sincere concern for the man himself as a person is good enough to merit the high morale and enthusiasm that grow out of a job well done. Let us repeat: if there is an ulterior motive involved, the opposite of growth will occur.

After a job has been completed, both the man and his boss have perhaps their greatest opportunity to realize mutually the growth benefits of delegation. By talking over in retrospect the way the job was done, the results accomplished, the things that went right as well as the things that went wrong, the finished job becomes a stepping stone to even greater achievement next time. The man and his boss should come to an understanding as to the ways in which this assignment has contributed to the man's personal growth as well as his job competence. Here we are referring not only to knowledge and skills, but habits, understandings, appreciations, points of view, and, most importantly, attitudes. How has the job broadened his perspective, increased his confidence in himself, given him a sense of teamwork? How has it prepared him for an even tougher assignment? This review must not be made in a critical vein, but in a spirit of recognition of growth and an exploring of the avenues for future accomplishment.

## What Techniques Can Be Used for Improving Delegation Skills?

The progress you make in delegating depends on the things you do on your own job, working with your own superior, with your subordinates. The willingness to try out new things, to explore new ideas is at the heart of the matter. Your motto might well be that of Saint Paul who said, "Try all things; hold fast to that which is good." To this end, the remaining part of this article opens up for consideration several techniques that might be worth trying out by a manager in his efforts to improve his delegation skills:

### 1. The Guided Experience Technique

To what extent can guided experience be used as a means of improving and enriching the challenging aspects of your subordinates' work? Guided experience may mean the difference between a stimulating learning situation and a boring one. In order to be challenging, the job must be set up so that the following conditions are a part of the way a subordinate sees his work:

- a. He participates in the planning, decision making, as well as the executive phases of the work.
- b. He identifies the job as his own.
- c. The job contributes toward a goal which is important to him personally.
- d. It tests his skill and adds to his knowledge.
- e. It upgrades him and gives him a feeling of well-being because his contribution is important to him, his boss, and the rest of the team.
- f. It carries enough risk of failure to keep him from becoming complacent.
- g. The job leaves him more competent to do other jobs of a similar nature, raises his standards, and leaves him more confident of his ability.

For successful delegation, an assignment must be familiar enough to the person doing the work that he is not too afraid to tackle it, and it must have enough new elements in it to make it a profitable experience.

At the same time, guidance from his supervisor must insure that the resources to acquire the new knowledge, skills, and facilities are available to him at the point of need. It is very important for the supervisor to be aware of what resources, facilities, means, and materials the man must have to carry out his responsibility.

### 2. The Training Assignment Technique

Frequently a supervisor can use the training assignment as a device to improve the delegation skills of subordinates. The following steps outline one specific procedure that may be useful to you in helping your subordinates improve their own skills in delegating:

- a. Prepare your subordinate to accept additional responsibility in a chosen area in which you intend to delegate.
- b. Select a job for delegation to this subordinate,

and plan your assignment to him in terms of what, why, and when.

- c. Discuss this job with the man and give him a specific assignment to plan the how of the job and integrate his planning with his own growth opportunities. This is the heart of delegation—the subordinate planning the job in his own way.
- d. Meet with him again to review and approve his plan for getting the job done. If the plan is not good enough, stimulate him to re-think the approach to the problem.
- e. Review his progress with him at mutually agreed-upon strategic points.
- f. Evaluate with him the completed job, helping him discover the new experience he has gained
- g. Keep a record of this delegation and build on his increased capabilities when giving him his next assignment.

### 3. The Whole Job Technique

Can you find specific opportunities to delegate to your subordinate in such a way that he takes responsibility for the whole job? This means involving him in the planning aspects as well as the carry-out or execution aspects. If planning begins with meetings at the next higher level, find ways of bringing him in early to these planning meetings so he can get the sense of understanding and participation he needs to do an intelligent job. To the extent that you can get his deep involvement in the assignment of a project, he is equipped to make his own decisions, integrate his work with real goals and sub-goals, make resourceful adjustments to problems and difficulties that show up later, search

for additional information, and do his own thinking without leaning upward expecting you to do his thinking for him.

### The Core Values in Growth Delegation

No man helps another grow unless he himself grows in the process.

Growth delegation is a way of life. It is not a skill to be turned off and on at will. It permeates all that we do, becomes a part of all our relationships and subordinates. It brings out the best that is in us.

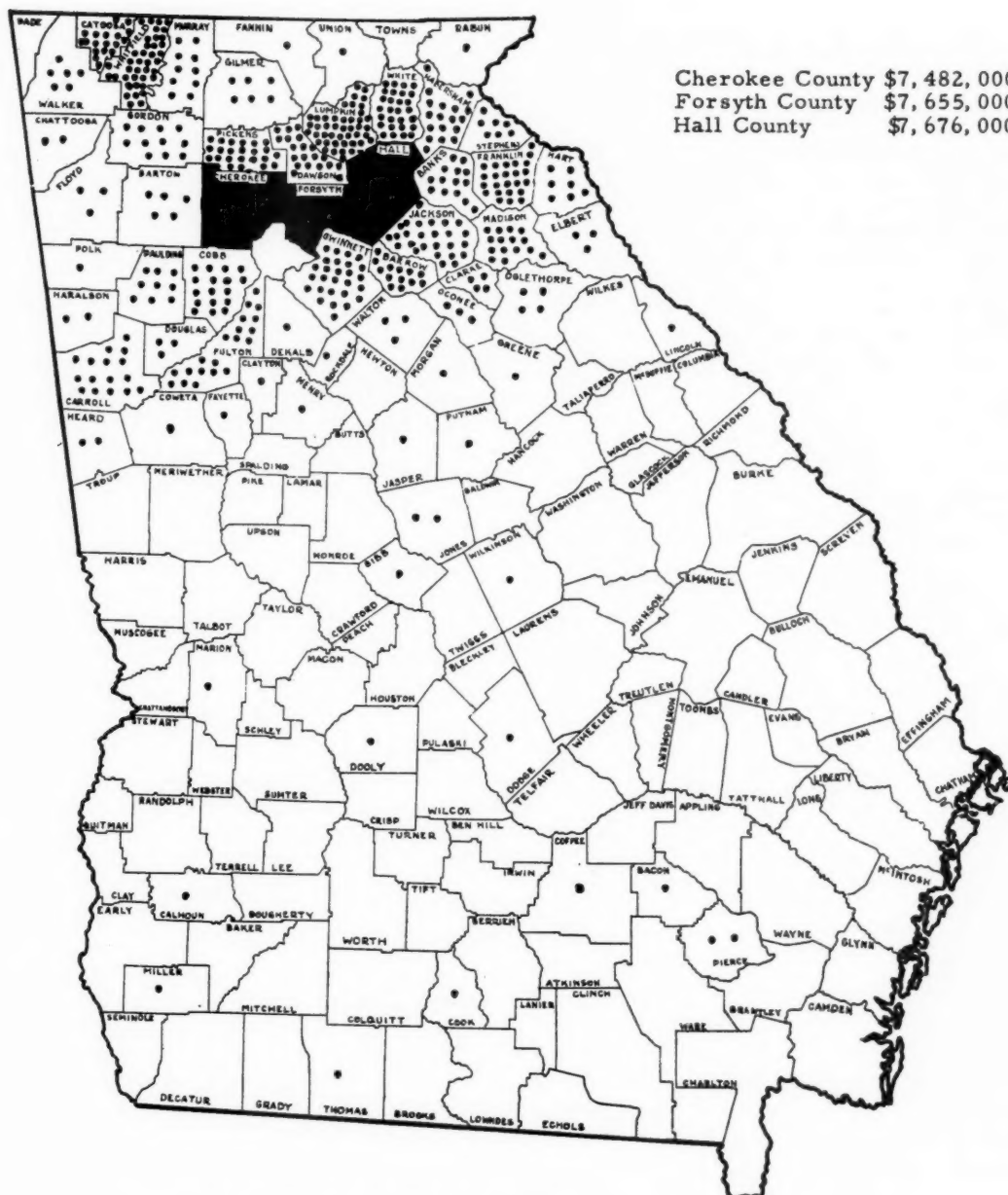
The man who is really helping his people to grow does not need to be a model of perfection. Such men show human frailties and shortcomings like the rest of us, but because their basic integrity and sincerity of purpose are recognized, their subordinates respond with a tolerance of their mistakes and shortcomings and a generosity in exercising judgments about them. The learning of many complex rules and "human relations" techniques which supervisors struggle with incessantly in their effort to become proficient falls into its proper perspective. Such a man does not have to be primarily concerned with the myriad "do's" and "don'ts" which inhibit the natural working relationships between a supervisor and his men. He will not need to be constantly undergoing the petty irritation of self-consciously watching his minor faults: lack of tact, poor finesse in communication, faulty mannerisms. The supervisor can be as he should be—relaxed, spontaneous, genuine. In the last analysis, it is a man's basic attitudes toward people that count.

### IMPORTANT NOTICE TO OUR READERS

You recently received from us a form letter which we asked you to return if you wish to continue receiving *The Atlanta Economic Review*. Please DO NOT FAIL to return this form if you wish to remain on our mailing list.

For a discussion of the Georgia poultry industry, see "The Southeastern Corner," page 20.

COMMERCIAL BROILERS SOLD FROM GEORGIA FARMS  
(1954 U. S. Census)  
1 dot = \$100,000



Map provided by Georgia Department of Agriculture

# *The Challenge Of Economic Development In Georgia*

## *A Three Part Series*

by John L. Fulmer

### *Part II. Help for Rural Counties*

#### **Migration from the Farms**

In Georgia and the South, in fact throughout the nation, a rapid exodus of people from farms is under way. Since time immemorial people have been leaving farms for city jobs and city life. Until recently this loss of population from farms and rural counties was viewed with approval. Normally, farm people reproduce at twice the rate required to replace death losses. Therefore, unless agriculture is expanding into virgin lands the population pressure builds up. Except in the early days of this country when there was plenty of open land, agriculture has not been in the unique position of being able to absorb the natural increase. Consequently, only since around 1950 has out-migration of farm people been regarded unfavorably by some circles. Prior to 1950 out-migration was the primary means of keeping population pressure against limited land resources from building up into social unrest.

#### *Effects on Agriculture*

Despite the alarm over its impacts on the economies of some counties, migration is by and large favorable to the solution of the farm problem. With the exodus of people from farms, farmers can introduce machines and new technologies to enlarge the farm acreages, increasing per capita incomes of farm people. The concern among some political leaders is that such loss of people causes a shrinkage of trade and related impacts on local manufacturing and service industries in the rural community. They want to keep people in the area in order to preserve local businesses in a healthy state. What they in fact want is a development program to support population growths. It is not to solve the farm problem, as we have seen, that such programs are advocated, but rather they are desired more particularly to secure a growing and prosperous economy in the rural county.

#### *Effects on Rural County Economies*

What are some of the impacts of population loss on the economies of the rural counties? The effects on farming operations have already been outlined. This is a favorable impact, but there are others which are unfavorable. In the wake of population decline come changes in the community's economic structure that cause a depressing outlook. The drain takes the more energetic, better-educated young people. The age distribution in the community shifts toward the older, conservative classes. In addition to the depressing effect on retail sales, new construction practically dries up, the vacancy ratio on

residences rises, young professional people hesitate to hang out the shingle, and prospective industrialists refuse to locate managerial personnel in a demoralized economic climate, particularly if public and private buildings in small towns have been allowed to run down.

Georgia's political leaders, particularly those from the rural areas, are very much interested in revitalizing the economies of these counties. They have discussed numerous proposals by which, with State funds and leadership, the economies of these counties might be shored-up, and preferably set on a course of progressive growth in future years. These are worthy objectives, but the state's efforts may be dispersed unduly, even misdirected, if some principles of economic growth are not observed. Therefore, it will be the purpose of this second article in the three-part series to examine the status of economic development in Georgia rural counties and to explore certain obvious lines of action which are expected to be more productive of the funds and effort which may be expended.

The accompanying map, entitled "Growth Areas Which Cast Their Economic Shadows Afar," shows 28 counties which employ an excess of people from adjoining counties and export income to these counties in the form of wage and salary payments. (The data are from a study of commuting and wage payments to industrial workers.)<sup>1</sup>

#### *Major Centers of Employment*

To the extent that these employment points provide jobs and wage income for nearby counties, they contribute to the well-being of employable people in several counties. Everyone knows that the large population centers are generators of economic activity and provide employment points for persons seeking jobs. But it will come as a surprise to many, and particularly to the business leaders of Georgia, to learn that thirteen counties outside the large population centers have a concentration of industries sufficient to draw a net number of commuters from other counties. In fact they employ a relatively larger number of commuters from nearby counties than do the large centers. This is shown by the fact that eleven of these typical counties employ an average of 20 per cent of their non-agricultural workers from four counties in the area, in contrast with 14 per cent for the larger industrial centers which import commuters from an average of nine counties. Each of these outlying employment points employs an average of 613 workers from outside and exports \$1,760,000. Chattahoochee and Houston counties, outlying counties also, are not regarded as typical because they contain very large government installations. The airplane modification center at Warner-Robins in Houston Coun-

ty supports large numbers of workers from 21 counties, the majority coming from Bibb County and Macon. Chattahoochee County claims Fort Benning which affects employment in Columbus, Ga., and a few nearby Alabama counties.

There are fifteen counties with large populations which export income to counties in the area. Two other large population centers normally included with this group, Bibb and Muscogee, are excluded because they import so much income from Houston and Chattahoochee counties respectively. Both Bibb and Muscogee export more commuters than they employ from nearby counties. Atlanta includes three of these counties. It is a large regional city and is out of line with other counties. Atlanta is therefore omitted in this discussion for this reason and also due to the fact that the next and last article in this series will cover it in some detail. This leaves twelve counties which are typical of the larger employment centers. On the average they employ 25 or more workers from nine nearby counties, or twice the number of counties involved in commuting to the outlying counties. Fourteen per cent of the non-agricultural employment is drawn from these counties, and seven per cent of the income generated is exported as wage payments. These counties on the average employ 2,280 workers from outside the county and export \$7.3 million as wages. The employment and income impact on adjacent counties is about four times as great as the impact of outlying counties on their adjacent counties.

Wayne County is regarded as typical of the outlying counties. It is generating employment for several additional counties. Employment for 25 or more commuters per county comes from Liberty, Long, Pierce, Tattnall, and Ware counties. Total non-agricultural employment of Wayne County is 3,078, of which 620 workers commute and receive \$1,764,000 wages, about half being offset by wages imported by residents of Wayne County who work in other counties in the area. Over half of Wayne County's total nonagricultural employment is provided by four manufacturing plants. They are the Pascal Corporation (garments), Pioneer Products Company (lumber), Wayline, Inc. (furniture), and Rayonier, Inc. (chemical cellulose made from pulpwood).

Thus a high concentration of employment in one outlying county has caused its economic structure not only to shift toward an industrial type economy but also to affect favorably job opportunities for several nearby counties with surplus labor. The same contribution is determined to exist for the other ten counties, outlying but developing industrially.

#### **Providing More Employment Opportunities**

The map pictures similar results for all 28 employment points. The analysis demonstrates the

1. "Analysis of Intercounty Commuting of Workers in Georgia," by John L. Fulmer in collaboration with Mrs. Maria M. Mallet and Ovid H. Stephenson, published by the Engineering Experiment Station, Georgia Institute of Technology, August 1958.

need for two major lines of action to halt or retard population loss in the rural counties and to provide better balance to the state's economic development through more dispersed employment opportunities.

#### *Establishing Additional Employment Points*

First and obviously, it is apparent that a few more employment points are needed in the rural areas to provide commuting jobs for some areas of Georgia which are not easily within the limits of accessibility (50 miles) to job opportunities. According to this criterion, industrial centers are needed in the vicinity of Gilmer, Upson, Morgan, Johnson, Tift, Sumter, and Decatur counties. These counties are spotted at strategic points relative to the other employment centers of Georgia. Their listing here does not necessarily mean they have the resources or conditions favorable to a concentrated development suitable for employment of large numbers of commuters from nearby counties.

As to whether these counties (or some others in the vicinity) actually can be developed depends upon whether they can qualify (after intensive analysis) in terms of labor, materials, and community conditions and attitudes known to be necessary for industrialization. Even if a county or community could qualify on these grounds, there still would need to be established the existence of a market demand for the products which the community is capable of producing. Practically all of these counties would have abundant resources of labor. The market need for the products, which would be apparel or some similar product using large quantities of labor, would need to be established. Even then there are still other problems involved in building a concentrated industrial development from intensive labor-using products.

If any of the counties proposed (or nearby counties) have abundant raw materials in demand by industry, along with community advantages, they would have a better chance of getting a concentrated industrial development. There are granite and limestone resources in Georgia (also other minerals), but the most widespread raw materials on which we have information at this time are agricultural and forestry in origin. Therefore the quickest moves for balancing out the employment picture in the rural areas appear to be associated with processing agricultural and forestry raw materials and in developing industries to supply the production needs of farming operations. The most rapid progress will be made, however, in concentrating on the resources and conditions which are peculiar to each county. For example, the Wayne County development is tied in with forestry resources. In Elbert County, the development has centered around granite quarrying and the processing of this raw material. In Stephens County, several large textile mills and the genius of one man to develop unique earth-moving equipment appear to have been the key factors.

#### *Enlarging Existing Employment Points*

A second line of action appears to require reinforcement of the growth of those outlying areas which are already casting their economic shadows to other counties. Although the economic effects of these counties are comparatively mild, they may be expected to contribute comparatively more to nearby counties as they are enlarged. It seems logical, therefore, to concentrate on making these centers even larger. *Experience in the Tennessee Valley development demonstrates that large, comparatively rapid economic developments have a better chance of changing the economic structure than a series of weak, dispersed movements.* This finding is borne out by the impacts of the large development at Warner-Robins in Houston County. It is easier to concentrate on growing points because industries attract other industries. Furthermore, the pervading optimism leads the people of such localities to do something for themselves.

#### **Summary**

The basic cause of economic depression in the rural counties, reflected in population loss, is poor employment opportunities. Research shows that this problem is being solved in part by a fairly concentrated economic development in thirteen of Georgia's rural counties, fairly evenly distributed with respect to Georgia's large population centers. These industrially-growing, rural, outlying counties provide employment for commuters from four counties. Employment points are needed in seven additional outlying counties, to provide commuting opportunities. The economic impacts of the present employment points in rural areas can be greatly magnified by reinforcing the growth of these centers through planning activities of state and other agencies. Such efforts would meet favorable response from these localities, as they already have the optimism and other conditions needed to encourage further growth. Thus, economic development in the state presents two challenges: (1) how to make more employment points in rural areas cast their economic shadows afar, and (2) how to lengthen the economic shadows of the present outlying employment points of the state. It is believed that the two courses of action outlined will meet both challenges successfully if properly implemented.

The program outlined above is designed to reduce migration loss from rural counties; it is not a development program for the population centers. These centers (shown on the map by the counties represented in black) include the large cities. For purposes of development analysis, however, several other cities may be included also. Since economic development of cities properly falls outside the scope of this series, each population center will need to work out its own specific development program.

## GROWTH AREAS WHICH CAST THEIR ECONOMIC SHADOWS AFAR



# THE SOUTHEASTERN CORNER

by

Warren A. Walker

*The map on page 15 shows the concentration of Georgia's broiler industry and the value of commercial broilers sold from individual Georgia counties.*



## GEORGIA'S POULTRY BELT

There was a time in the history of the agriculture of Georgia, and not very long ago at that, when "egg money" was thought of as the farm wife's personal spending money, and chickens were not regarded as a cash "crop" at all. In at least a part of Georgia the last twenty years have brought about a tremendous change of attitude. In a number of counties in the upper part of the state, Georgia's poultry belt, poultry and poultry products have become the predominant source of agricultural income. This growth in income from poultry activities has run concurrently with several other agricultural trends in these same counties. These trends are important because in a measure they serve to explain the growth of the poultry industry.

Briefly, and in general terms, these trends may be stated as follows. There has been a decline in the number of farms in any particular county. The average size of the individual farm (i.e., the number of acres under one ownership) has increased, and the percentage of the available agricultural land that is devoted to the growth of timber has also increased.<sup>1</sup> At the same time the amount of farm land devoted to harvested crops has declined radically, not only on a percentage basis, but, more importantly, in actual number of acres as well.

Even without a detailed examination of related statistics, certain rather reasonable assumptions can be drawn from these trends. The first assumption that can be made is that these counties have followed the trend in other parts of the country—the marginal farmer has been bought out by the more productive farmer with a greater quantity of capital available.

The second assumption that can be made is that since there is not only plenty of food, but a surplus as well, the land that remains in harvested crops obviously is more productive than previously. This in turn has accounted to some degree for the increase in timberland. Trees for many years provided a good yield on the amount of money invested, but only as a long-run proposition. As lands tended more and more to be in the hands of better capitalized persons and there was excess land available, the expansion of timberland was a natural outgrowth.

The question still remained as to what was to take the place of the traditional cash crop. The answer, in this particular area at least, has been poultry.

In the interests of space only a summary of the ten leading poultry-producing counties will be given, although as can be seen from the map on page 15 there are a number of other counties in which poultry produces a substantial amount of income. On the other hand, it will be noted that all of the counties in this classification are in a group in the northern portion of the state. The counties analyzed here

1. See "The Southeastern Corner," *The Atlanta Economic Review*, January 1959.

are arranged in the order of their importance in this activity according to the 1954 Census of Agriculture. Incomplete figures suggest that there have been minor changes since that time.

### **Cherokee County**

In Cherokee County more than 90 per cent of farm income<sup>2</sup> is from the production of broilers. Taking the broader classification of poultry and poultry products, the total dollar volume in 1940 was less than \$172,000. Fifteen years later the figure had risen to more than seven and a half million dollars. The total number of farms has been slowly declining since 1900, and only ten per cent of the available farm land is in harvested crops. Cotton acreage is only three per cent of its 1930 high point, and acreage in corn is less than one third of its 1920 peak.

### **Hall County**

In Hall County just under 90 per cent of all farm income is from poultry and poultry products. In this county the cash value of these products rose from \$122,000 in 1940 to over nine million dollars in 1955—a percentage increase of almost 7,600. Harvested cropland has declined to one third of the cropland acreage of 1935. At the last census of agriculture only about 12 per cent of the land was in harvested crops.

### **Forsyth County**

In Forsyth County, as in Cherokee County, the revenues from poultry enterprises represent more than 90 per cent of farm income. In this instance the dollar increase was from slightly over \$168,000 in 1940 to more than eight million dollars in 1955. Acreage in harvested crops declined more than a half in a ten-year period, and only one twentieth of farm income was derived from field crops.

### **Whitfield County**

While Whitfield County is fourth in the production of broilers in the state, 82 per cent of its farm income is from poultry activities. This county has had a dollar increase in revenues from this source from slightly over \$42,000 in 1940 to four and a half million dollars in 1955. In keeping with the other

counties in this analysis, there has been a drastic reduction in field crops, particularly cotton, during the past fifteen years.

### **Other Counties**

Lumpkin, White, Jackson, Gwinnett, Franklin, and Pickens Counties are also part of Georgia's broiler producing belt. According to the most recent agricultural census, their volume of production is in the order just named.

In none of these counties does the index of poultry and poultry products represent less than half of the agricultural income of the county. This index of course does not refer exclusively to broilers, but in these counties broilers do represent a predominant part of the total figure.

### **Georgia in the Nation**

On June 5, 1959, the United States Department of Commerce released more recent figures, but they are not broken down by counties. These figures indicate that Georgia is still the nation's leader in both output of birds and income derived from these activities. In spite of the fact that this industry had already experienced a considerable growth by 1948, there has been a really phenomenal growth since that time. During the ten-year period from 1948 to 1958 the commercial broiler index rose from slightly over 29 million dollars to more than 164 million dollars annually, an increase of 465 per cent.

### **Other Southeastern States**

All other southeastern states with the exception of Florida have shared in the rapid growth of the broiler industry, although Georgia is still well ahead as far as total income is concerned. The increase in broiler production for the region as a whole was 350 per cent during the ten-year period 1948-1958. The dollar figures were just over 397 million for 1958, which represented an increase of over 325 million dollars during the period. To produce this much revenue, more than 230 million birds are required.

Although individual prices have declined somewhat in recent months due to market saturation, it seems entirely probable that demand will continue at a high level.

Contributing to the growth of this industry is the expanded use of electric refrigerators and home freezers, which has accelerated public acceptance of frozen foods generally, and also has made it possible for poultry growers to concentrate their activities during the most productive periods of the year.

2. Data from the 1954 Census of Agriculture. All figures taken from applicable Census of Agriculture unless otherwise specified.

# JULY, 1959

## ATLANTA AREA ECONOMIC INDICATORS

ITEM	July 1959	June 1959	% Change	July 1958	% Change	% Change Seven Months '59 over Seven Months '58
<b>EMPLOYMENT</b>						
Job Insurance (Unemployment)						
Payments -----	\$373,445	\$322,645	+15.7	\$871,571	-57.2	-47.9
Job Insurance Claimants† -----	6,210	5,299	+17.2	13,090	-52.6	-44.5*
Total Non-Ag. Employment -----	354,850	353,900r	+ 0.3	339,600r	+ 4.5	+ 3.7*
Manufacturing Employment -----	86,050	86,050r	0.0	80,600r	+ 6.8	+ 5.3*
Average Weekly Earnings,						
Factory Workers -----	\$81.61	\$81.00r	+ 0.8	\$79.17r	+ 3.1	+ 9.0*
Average Weekly Hours,						
Factory Workers -----	40.6	40.3	+ 0.7	40.6r	0.0	+15.5*
Index of Help Wanted Ads (Seasonally adjusted, 1947-49 Avg.=100) -----	190.4	189.4	+ 0.5	116.3	+63.7	+53.4
<b>CONSTRUCTION</b>						
Number of Building Permits§ -----	718	987	-27.3	638	+12.5	+ 9.8
Value of Building Permits§ -----	\$9,503,817	\$9,639,240	- 1.4	\$5,281,154	+80.0	+22.6
Employees -----	25,150	25,050r	+ 0.4	23,350r	+ 7.7	+20.7*
<b>FINANCIAL▲</b>						
Bank Debits (Millions) -----	\$2,052.3	\$1,980.7	+ 3.6	\$1,648.4	+24.5	+20.0
Bank Deposits (Millions) -----	\$1,269.7	\$1,244.9	+ 2.0	\$1,170.6	+ 8.5	+ 8.5**
<b>OTHER</b>						
Department Store Sales Index (Adjusted 1947-49=100) -----	178	174	+ 2.3	168	+ 6.0	+ 6.0¶
Retail Food Price Index -----	117.0	117.1	- 0.1	119.1	- 1.8	- 1.8**
Number Telephones in Service ---	336,860	359,560	- 6.3	317,343	+ 6.2	+ 6.2**

r—Revised      \*Average month      \*\*End of period      ¶—Based on retail dollar amounts  
 §City of Atlanta only.      N. A.—Not Available      ▲Data from members of the Federal Reserve System only.  
 †New series. Covers unemployed federal employees and unemployed veterans in addition to those covered by Georgia law. Claimants include both the unemployed and those with job attachments, but working short hours.

Sources: All data on employment, unemployment, hours, and earnings: Employment Security Agency, Georgia Department of Labor; Number Help Wanted Ads: Atlanta Newspapers, Inc.; Building permits data: Office of the Building Inspector, Atlanta, Georgia; Financial data: Board of Governors, Federal Reserve System; Postal data: Atlanta Post Office; Retail Food Price Index: U. S. Department of Labor; Department Store Sales Index: Federal Reserve Bank of Atlanta and Board of Governors, Federal Reserve System; Telephones in Service: Southern Bell Telephone and Telegraph Company.

# ATLANTA BUSINESS ACTIVITY

Manufacturing employment in the Atlanta area still lags some 5,000 workers behind the all-time high of late 1955, despite the fact that current data includes employment in Clayton and Gwinnett counties while the 1955 data does not. Employment in industries producing nondurable goods has been fairly stable since 1955, but durable goods industries reached an employment peak late in 1955 and experienced a general down drift through 1958. During that period losses were experienced in all of the industry segments reported except nonelectrical machinery, which showed a gain of 650 workers. Among those industries which now employ fewer people than in 1955 are lumber and wood products except for furniture, down 900; furniture and fix-

tures down 900; fabricated metal products, down 50; transportation equipment, down 6,400.

Changes in the patterns of employment in Atlanta since June 1950 can be seen in the accompanying table, data for which is from publications of the State Employment Security Agency. During the period 1950 to 1959, Atlanta's population increased about 43 per cent, while nonagricultural employment increased 39.4 per cent. Construction employment increased 45.6 per cent; manufacturing employment increased 49.9 per cent while employment in durable goods industries increased 103.8 per cent, primarily as the result of a 285.2 per cent increase in employment in the production of transportation equipment (aircraft and automobiles).

ATLANTA METROPOLITAN AREA  
NON-FARM WAGE & SALARY EMPLOYMENT BY INDUSTRY  
JUNE 1950 and JUNE 1959

INDUSTRY	JUNE 1959		JUNE 1950*		% Change 1959 over 1950
	Employment	Per Cent of Total**	Employment	Per Cent of Total**	
TOTAL	353,900	100.0	253,800	100.0	+ 39.4
Construction	25,050	7.0	17,200	6.8	+ 45.6
Manufacturing	86,050	24.3	57,400	22.6	+ 49.9
Durable goods	45,650	12.9	22,400	8.8	+103.8
Furniture & lumber and wood products	5,800	1.6	7,200	2.8	- 19.4
Primary metals	2,300	0.6	1		
Fabricated metals	2,650	0.7	2,000	0.8	+ 32.5
Machinery (non-electrical)	3,200	0.9	2,500	1.0	+ 28.0
Transportation equipment	24,650	6.9	6,400	2.5	+285.2
Other durable goods	7,050	2.0	4,300	1.7	+ 64.0
Non-durable goods	40,400	11.4	35,000	13.8	+ 15.4
Food & kindred products	12,150	3.4	8,900	3.5	+ 36.5
Textile mill products	6,800	1.9	8,800	3.5	- 22.7
Apparel & other finished textile products	6,700	1.8	5,800	2.3	+ 15.5
Paper and allied products	4,150	1.2	2,500	1.0	+ 66.0
Printing, publishing & allied industries	5,650	1.6	4,400	1.7	+ 28.4
Chemicals & allied products	2,700	0.7	2,200	0.9	+ 22.7
Other non-durable goods <sup>2</sup>	2,250	0.6	2,400	0.9	- 6.3
Transportation, communications and public utilities	34,100	9.6	27,800	11.0	+ 22.7
Trade	89,850	25.4	71,900	28.3	+ 25.0
Finance, insurance and real estate	24,850	7.0	15,600	6.1	+ 59.3
Service and miscellaneous	45,900	12.9	32,900	13.0	+ 39.5
Government	48,100	13.6	31,000	12.2	+ 55.2

\*Gwinnett County data not included in figures for June 1950. Investigation reveals that the addition of this county to the Standard Metropolitan Area added about three per cent to the manufacturing employment total and a lesser amount to other industry totals and total nonagricultural employment.

\*\*Percentages may not add to totals due to rounding.

1. 1959: Includes electrical machinery; stone, clay and glass products; professional, scientific & controlling instruments; & miscellaneous manufacturing industries. 1950: Includes stone, clay & glass products; primary metal products; electrical machinery; professional scientific & controlling instruments; & ordnance.

2. Includes rubber products; leather and leather goods; and products of petroleum and coal.

Source: Data from Georgia Department of Labor.

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Dr. Whetten's monograph is an inquiry into the field of proxy contests, a great number of which have taken place in recent years. His analysis shows the variety and relationship of the forces at work which culminate in such contests and relates these forces to "fundamental trends underway in American business corporations which affect their relations with stockholders."

Among the topics discussed by Dr. Whetten are: trends that have affected corporation control, types and causes of contests, techniques of contestants, "Blueprint for a Contest," the roles of holding companies and investment trusts, and the corporate management itself.

Dr. Whetten is Professor of Accounting, School of Business Administration of Georgia State College of Business Administration.

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Dr. Schwartz is Professor of Marketing, School of Business Administration, Georgia State College of Business Administration.

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